

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
)
)

ROBERT C. REED)
)

A Former President, Director)
and Institution-Affiliated)
Party of Shelby County)
Bank, Shelbyville, Indiana)
(OTS Docket Number 04044))
_____)

OTS Order No. CHI-00-05

Date: December 8, 2000

STIPULATION AND CONSENT TO THE ISSUANCE OF AN
ORDER OF PROHIBITION

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, has informed **ROBERT C. REED ("REED")**, a former President, Director and Chief Executive Officer of Shelby County Bank, Shelbyville, Indiana, OTS Docket No. 04044 ("SCB"), that the OTS is of the opinion that grounds exist to initiate an administrative prohibition proceeding against him pursuant to 12 U.S.C. § 1818(e),¹ and

WHEREAS, **REED** desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting or denying the Findings of Fact contained

¹ All references to the United States Code ("U.S.C.") in this Stipulation and Consent to the Issuance of an Order of Prohibition ("Stipulation") and Consent Order of Prohibition ("Order") are as amended, unless otherwise indicated.

in Paragraph 2, or the grounds therefor, except as to Paragraph 1., Jurisdiction, which is admitted, hereby stipulates and agrees to the following terms:²

1. Jurisdiction.

(a) SCB is, and at all times relevant hereto was, a "savings association" within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, it is an "insured depository institution" as that term is defined in 12 U.S.C. § 1813(c).

(b) REED was the President, Chief Executive Officer, and a Director of SCB and is an "institution-affiliated party" of SCB as that term is defined in 12 U.S.C. § 1813(u), having served in such capacity within 6 years of the date hereof (see 12 U.S.C. § 1818(i)(3)).

(c) Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against institution-affiliated parties. Therefore, REED is subject to the authority of the OTS to initiate and maintain prohibition proceedings against him pursuant to 12 U.S.C. § 1818(e). The Director of the OTS has delegated to the Regional Director of the Central Region of the OTS ("Regional Director"), or his designee, the authority to issue prohibition orders where the individual has consented to the issuance of the order.

2. OTS Findings of Fact. The OTS finds that between about October 1998 and June 2000, REED misused his authority as President, CEO and a Director of SCB by causing SCB (through a series of cashier's check transactions and otherwise) to finance the purchase of certain real estate by REED's brother, who was acting either on his own behalf or as a nominee

² This Stipulation and the accompanying Order do not constitute evidence of or an admission by REED as to any liability, fault or wrongdoing. Negotiations of the terms of this Stipulation and the Order, including the

for REED. To finance the purchase, REED directed and caused SCB to issue several cashier's checks totaling approximately \$211,000 for which no source of funds existed when issued. On three subsequent occasions, REED directed and caused SCB to issue additional unfunded cashier's checks so that it would appear that certain nominee loans were paid off or that the previously issued cashier's checks were funded.

Subsequently, in connection with the real estate, REED caused SCB to grant a loan to a financially unqualified nominee purchaser for an amount that equaled 100 percent of the \$435,000 purchase price. As a consequence of the purchase and subsequent sale of the real estate, REED and members of his family personally benefited from the sale proceeds.

As a result of these actions: (a) REED violated OTS regulations, engaged in unsafe and unsound conduct in connection with SCB and breached his fiduciary duties to SCB; (b) SCB suffered or will probably suffer financial loss and REED received a financial benefit or other gain; and, (c) REED's conduct, breaches of fiduciary duty, and violations involved personal dishonesty and demonstrated a willful or continuing disregard for the safety and soundness of SCB.

3. Consent. REED consents to the issuance by the OTS of the accompanying Order. REED further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under 12 U.S.C. § 1818(e). Upon its issuance by the OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

conduct and statements made in connection therewith, shall not be admissible as evidence, in accordance with Rule 408 of the Federal Rules of Evidence.

5. **Waivers.** REED waives the following:

(a) the right to be served with a written notice of the OTS's charges against him (referred to as Notice of Intention to Prohibit, see 12 U.S.C. § 1818(e));

(b) the right to an administrative hearing of the OTS's charges against him as provided by 12 U.S.C. § 1818(e);

(c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order;

(d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504 or 28 U.S.C. § 2412; and

(e) the right to assert this proceeding, his consent to issuance of the Order, and/or the issuance of the Order, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. **Scope of Release; Other Governmental Actions Not Affected.**

(a) Upon the OTS's issuance of the accompanying Order, following OTS's acceptance of this Stipulation executed by REED, the OTS does hereby forever release and discharge REED from all potential claims and charges that have been or might have been asserted by the OTS based on the alleged violations and unsafe and unsound practices summarized in the Findings of Fact at Paragraph 2 of this Stipulation, or as described below. REED understands that the release provided by this Paragraph is limited solely to administrative actions the OTS could take, based on the above summarized violations and practices, or on any findings or

conclusions contained in any Report of Examination of SCB, conducted by the OTS prior to the effective date of the Order.

(b) REED acknowledges and agrees that his consent to the issuance of the Order is solely for the purpose of resolving certain potential claims, demands or proceedings as described in Paragraph 6(a) above. REED further acknowledges and agrees that acceptance by OTS of this Stipulation does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of REED that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

(c) Nothing herein shall limit OTS's right to enforce the terms of this Stipulation and the accompanying Order.

7. Miscellaneous.

(a) The construction and validity of this Stipulation and the Order shall be governed by the laws of the United States of America;

(b) All references to the OTS in this Stipulation and the Order shall also mean any of the OTS' predecessors, successors, and assigns;

(c) The section and paragraph headings in this Stipulation and the Order are for convenience only, and such headings shall not affect the interpretation of this Stipulation or the Order;

(d) The terms of this Stipulation and the Order represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters; and

(e) This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Regional Director, or other authorized representative.

8. Acknowledgement of Criminal Sanctions. REED acknowledges that 12 U.S.C. § 1818(j) sets forth criminal penalties for knowing violations of the Order.

WHEREFORE, ROBERT C. REED executes this Stipulation and Consent to the Issuance of an Order of Prohibition, intending to be legally bound hereby, and by accepting the terms hereof, the OTS intends to be legally bound hereby.

Accepted by:

OFFICE OF THRIFT SUPERVISION

By:



ROBERT C. REED



RONALD N. KARR

Regional Director, Central Region
Chicago, Illinois

Dated: 12-4-2000

Dated: 12-8-2000

State of Indiana)

County of Marion)

On this 4th day of December, 2000 before me, the undersigned notary public,
personally appeared Robert C. Reed and acknowledged his execution of the foregoing
STIPULATION AND CONSENT TO ISSUANCE OF AN ORDER OF PROHIBITION.

Lisa J. Schmith
Lisa J. Schmith Notary Public

My commission expires:

January 16, 2007

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

<u>In the Matter of</u>)	
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ROBERT C. REED)	OTS Order No. CHI-00-05
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Former President, Director)	Date: December 8, 2000
and Institution Affiliated)	
Party of Shelby County)	
Bank, Shelbyville, Indiana)	
(OTS Docket Number 04044))	
)	

CONSENT ORDER OF PROHIBITION

WHEREAS, ROBERT C. REED ("REED") has executed a Stipulation and
Consent to the Issuance of an Order of Prohibition ("Stipulation"); and

WHEREAS, ROBERT C. REED, by his execution of the Stipulation, has consented
and agreed to the issuance of this Consent Order of Prohibition ("Order") by the Office of
Thrift Supervision ("OTS"), pursuant to 12 U.S.C. § 1818(e);

NOW THEREFORE, IT IS ORDERED that:

1. **REED** is prohibited from further participation, in any manner, in the conduct of
the affairs of Shelby County Bank, Shelbyville, Indiana, OTS No. 04044 ("SCB"), and any
successor institution, holding company, subsidiary, and/or service corporation thereof.

2. **REED** is and shall be subject to the statutory prohibitions provided by 12 U.S.C.
§ 1818(e) and, except upon the prior written consent of the OTS (acting through its Director

or an authorized representative thereof) and any other "appropriate Federal financial institutions regulatory agency," for purposes of 12 U.S.C. § 1818(e)(7)(B)(ii), shall not:

(a) hold any office in, or participate in any manner in the conduct of the affairs of, any institution or agency specified in 12 U.S.C. § 1818(e)(7)(A), including, but not limited to:

(i) any insured depository institution, e.g., savings and loan associations, savings banks, national banks, trust companies, and other banking institutions;

(ii) any institution treated as an insured bank under 12 U.S.C. §§ 1818(b)(3) and 1818(b)(4), or as a savings association under 12 U.S.C. § 1818(b)(9), e.g., subsidiaries and holding companies of banks or savings associations;

(iii) any insured credit union under the Federal Credit Union Act, 12 U.S.C. § 1751, et seq.;

(iv) any institution chartered under the Farm Credit Act of 1971, 12 U.S.C. § 2001, et seq.;

(v) any appropriate Federal depository institution regulatory agency, within the meaning of 12 U.S.C. § 1818(e)(7)(A)(v); and

(vi) the Federal Housing Finance Board and any Federal Home Loan Bank.

(b) solicit, procure, transfer, attempt to transfer, vote, or attempt to vote any proxy, consent, or authorization with respect to any voting rights in any institution described in 12 U.S.C. § 1818(e)(7)(A);

(c) violate any voting agreement previously approved by the "appropriate Federal banking agency" within the meaning of 12 U.S.C. § 1813(q); or

(d) vote for a director, or serve or act as an "institution-affiliated party," as that term is defined at 12 U.S.C. § 1813(u), e.g., a director, officer, employee, controlling stockholder of, or agent for, an insured depository institution.

3. The Stipulation is made a part hereof and is incorporated herein by this reference.

4. This Order is subject to the provisions of 12 U.S.C. § 1818(j).

5. REED shall promptly respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Order.

6. This Order is and shall become effective on the date it is issued, as shown in the caption hereof. The Stipulation and the Order shall remain in effect until terminated, modified or suspended, in writing by the OTS, acting through its Director, Regional Director or other authorized representative.

OFFICE OF THRIFT SUPERVISION

By: 

RONALD N. KARR
Regional Director
Central Region
Chicago, Illinois